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Bulletin

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This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

For more information

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- Withholding income tax questions:
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Illinois withholding requirements for out-of-state employers who employ Illinois residents working from home due to COVID-19 Virus Outbreak

To: Out-of-state employers and their employees who normally work in an out-of-state location but who will have performed normal work duties for more than 30 days in Illinois

Withholding Illinois Income Tax requirements for out-of-state employers

Due to the COVID-19 virus pandemic, many state governors, including Illinois Governor JB Pritzker, have issued stay-at-home orders. Many employers, in response to the stay-at-home orders, have allowed certain employees to perform their work duties at home. As a result, out-of-state employers who normally would not be required to withhold Illinois income tax from employees that are Illinois residents may now be subject to Illinois withholding requirements.

Employee compensation is subject to Illinois Income Tax Withholding when the employee has performed normal work duties in Illinois for more than **30 working days**. If an Illinois resident employee has performed work for more than **30 working days** from their home in Illinois for an out-of-state employer, the employer may be required to register with the Illinois Department of Revenue (IDOR) and withhold Illinois Income Tax from the employee.

Continued on next page.

NOTE: This bulletin is **not** intended to impact the following employers:

- **Out-of-state employers from states that have a reciprocal agreement with Illinois** (Iowa, Kentucky, Michigan, Wisconsin) do not need to change the way that they currently operate.
- **Out-of-state employers who are registered as a withholding agent in Illinois** should continue to withhold Illinois taxes.

For information on Illinois withholding obligations, see [Publication 130, Who is Required to Withhold Illinois Income Tax](#).

Do employers have to register with IDOR if they have employee compensation that is subject to Illinois withholding?

Although there are certain exemptions to Illinois withholding obligations, most employers must register. To register a business with IDOR, businesses may choose one of the following options:

- Register electronically using [MyTax Illinois](#).
- Complete and mail [Form REG-1, Illinois Business Registration Application](#).

For more information about who is required to withhold, see [Publication 130, Who Is Required to Withhold Illinois Income Tax](#).

Will there be penalties and interest if employers fail to withhold Illinois Income Tax from employees working from home because of the COVID-19 pandemic?

IDOR will waive penalties and interest for out-of-state employers who fail to withhold Illinois income taxes for Illinois employees where the sole reason for the Illinois withholding obligation is that the employee is working from home due to the COVID-19 pandemic.

IDOR encourages all employers that have withholding requirements to register with IDOR and withhold Illinois Income Tax as soon as applicable to avoid processing delays and increased correspondence.

What can an employee do to ensure that the correct amount of Illinois Income Tax Withholding has been reported?

Employees that do not have Illinois income tax withheld by their employers could potentially owe money to Illinois and may be subject to estimated payment requirements. Estimated tax payments are required if employees reasonably expect their tax liability to exceed \$1,000 after subtracting their Illinois withholding, pass-through withholding, and various tax credits. For more information on estimated tax payments for individuals, see [Form IL-1040-ES, Estimated Income Tax Payments for Individuals](#).

To ensure that the proper amount of Illinois Income Tax is being withheld, employees whose compensation is subject to Illinois Income Tax Withholding should complete and return to their employer a [Form IL-W-4, Employee's and other Payee's Illinois Withholding Allowance Certificate and Instructions](#).

How much income tax should be withheld from employees' compensation?

Generally, the rate for withholding Illinois Income Tax is 4.95 percent. However, employees may claim allowances and request additional income withheld by completing and providing an employer with a [Form IL-W-4, Employee's and other Payee's Illinois Withholding Allowance Certificate and Instructions](#). Refer to [Booklet IL-700-T, Illinois Withholding Income Tax Tables](#), for information about determining the amount of income tax to withhold from employees' compensation.

Where can additional information on Illinois Income Tax Withholding be found?

For more information about Illinois Income Tax Withholding, refer to the following:

- [Publication 130, Who is Required to Withhold Illinois Income Tax](#)
- [Publication 131, Withholding Income Tax Filing and Payment Requirements](#)
- [Publication 121, Illinois Income Tax Withholding for Household Employees \(for household employers\)](#)
- [Publication 110, Forms W-2, W-2G, and 1099 Filing and Storage Requirements for Employers and Payers](#)
- [Booklet IL-700-T, Illinois Withholding Income Tax Tables](#)
- [Form IL-W-4, Employee's and other Payee's Illinois Withholding Allowance Certificate and Instructions](#)

Additionally, visit IDOR's website at: tax.illinois.gov